

**VILLAGE OF ONSTED**  
**LENAWEE COUNTY, MICHIGAN**  
**ANNUAL FINANCIAL REPORT**  
**FEBRUARY 28, 2006**

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name ONSTED	County LENAWEE
Fiscal Year End FEBRUARY 28, 2006	Opinion Date JUNE 26, 2006	Date Audit Report Submitted to State JULY 10, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

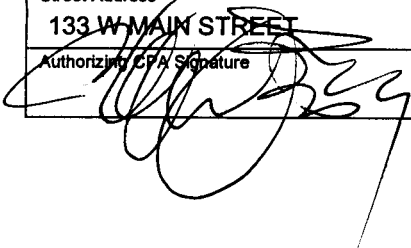
YES  
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☒ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) PHILIP R RUBLEY CPA		Telephone Number 517-458-2274	
Street Address 133 W MAIN STREET		City MORENCI	State MI
Authorizing CPA Signature 		Zip 49256	License Number 9223
Printed Name PHILIP R RUBLEY			

**VILLAGE OF ONSTED  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED FEBRUARY 28, 2006**

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**VILLAGE OF ONSTED**  
**Management's Discussion and Analysis**  
**February 28, 2006**

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**Using This Annual Report**

The annual report consists of a series of financial statements. The statement of net assets and the statement of activities are both new and provide information about the activities of Village of Onsted, Michigan government-wide basis. They are designed to present a longer-term view of the Village's finances. Fund financial statements tell how services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements.

**Overview Of The Financial Statements**

The Village's basic financial statements are comprised of three components:

- A) Government-wide financial statements.
- B) Fund financial statements.
- C) Notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Village's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The Village maintains 8 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, major street, local street and each of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Village adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

**Proprietary Funds.** The Village maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Village uses enterprise funds to account for its wastewater and water operations.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**VILLAGE OF ONSTED**  
**Management's Discussion and Analysis**  
**February 28, 2006**

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**Notes To The Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement of some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Village include general government, public safety, public works, parks and recreation and community development. The business-type activities of the Village include water and waste water activities reflected in the utilities fund.

The government-wide financial statements include the primary government and its component unit - The Medical Clinic.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into two categories; governmental funds and proprietary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

**Other Information**

The Village has reported under required supplementation information, information about the General Fund and Major Type Funds, and Combining Balance Sheets and Statement of Revenues, Expenditures and Changes in Fund Balances - Non-Major Type Governmental Funds.

**VILLAGE OF ONSTED**  
**Management's Discussion and Analysis**  
**February 28, 2006**

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**The Village As A Whole**

The Village's net assets for the year ended February 28, 2006 decreased by .37% over the prior year.

The governmental activities reflect net assets of \$823,420 and the business-type (utilities) of \$938,534.

By far the largest portion of the Village's net assets reflects its investment in capital assets (e.g. land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire these assets that are still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**VILLAGE OF ONSTED**  
**Management's Discussion and Analysis**  
**February 28, 2006**

**VILLAGE OF ONSTED NET ASSETS**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Component Unit</u>
	<u>2006</u>	<u>2006</u>	<u>2006</u>	<u>2006</u>
<b><u>Revenue</u></b>				
Program Revenue:				
Charges for Services	\$ 18,271	\$275,861	\$ 294,132	\$18,400
Operating Grants and Contributions	63,662	---	63,662	---
Capital Grants and Contributions	1,264	---	1,264	---
General Revenue:				
Property Taxes	183,419	---	183,419	---
Grants and Contributions Not Restricted To Specific Program	71,555	---	71,555	---
Other	<u>12,414</u>	<u>13,433</u>	<u>25,847</u>	<u>2,059</u>
<b>Total Revenue</b>	<u>350,585</u>	<u>289,294</u>	<u>639,879</u>	<u>20,459</u>
<b><u>Expenses</u></b>				
General Government	116,986	---	116,986	---
Public Safety	19,313	---	19,313	11,606
Public Works	177,241	---	177,241	---
Community and Economic Development	355	---	355	---
Recreation and Culture	11,209	---	11,209	---
Interest on Long-Term Debt	---	21,461	21,461	---
Utilities Expenses	---	<u>299,870</u>	<u>299,870</u>	---
<b>Total Expenses</b>	<u>325,104</u>	<u>321,331</u>	<u>646,435</u>	<u>11,606</u>
<b>Increase (Decrease) In Net Assets</b>	25,481	(32,037)	(6,556)	8,853
<b>Net Assets Beginning of Year</b>	<u>797,939</u>	<u>970,571</u>	<u>1,768,510</u>	<u>84,616</u>
<b>Net Assets End of Year</b>	<u>\$823,420</u>	<u>\$938,534</u>	<u>\$1,716,954</u>	<u>\$93,469</u>



**VILLAGE OF ONSTED**  
**Management's Discussion and Analysis**  
**February 28, 2006**

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**VILLAGE OF ONSTED NET ASSETS**

	<b><u>Governmental Activities</u></b>	<b><u>Business-Type Activities</u></b>	<b><u>Total</u></b>	<b><u>Component Unit</u></b>
	<b><u>2006</u></b>	<b><u>2006</u></b>	<b><u>2006</u></b>	<b><u>2006</u></b>
Current and Other Assets	\$543,204	\$ 341,586	\$ 884,790	\$60,513
Capital Assets	<u>298,736</u>	<u>934,799</u>	<u>1,233,535</u>	<u>32,956</u>
<b>Total Assets</b>	<b><u>\$841,940</u></b>	<b><u>\$1,276,385</u></b>	<b><u>\$2,118,325</u></b>	<b><u>\$93,469</u></b>
Long-Term Liabilities				
Outstanding	\$ ---	\$ 336,299	\$ 336,299	\$ ---
Other Liabilities	<u>18,520</u>	<u>1,552</u>	<u>20,072</u>	<u>---</u>
<b>Total Liabilities</b>	<b><u>18,520</u></b>	<b><u>337,851</u></b>	<b><u>356,371</u></b>	<b><u>---</u></b>
<b><u>Net Assets</u></b>				
Invested in Capital Assets, Net of Related Debt	298,736	598,500	897,236	32,956
Reserved	187,500	---	187,500	---
Unrestricted	<u>337,184</u>	<u>340,034</u>	<u>677,218</u>	<u>60,513</u>
<b>Total Net Assets</b>	<b><u>\$823,420</u></b>	<b><u>\$ 938,534</u></b>	<b><u>\$1,761,954</u></b>	<b><u>\$93,469</u></b>

**Government Activities**

Government activities increased the Village's net assets by \$25,481.

**Business-Type Activities**

Business-type activities (decreased) the Village's net assets by \$(32,037).

**The Village's Funds**

Our analysis of the Village's funds begins on Page 9, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Village as a whole. The Village Council and management creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages, etc.

**VILLAGE OF ONSTED**  
**Management's Discussion and Analysis**  
**February 28, 2006**

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**General Fund Budgetary Highlights**

There were no differences between the original budget and amended budget.

**Capital Assets And Debt Administration**

The Village's investment in capital assets for its governmental and business-type activities as of February 28, 2006, amounted to \$1,233,535 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges.

Long-term debt of the Village decreased by \$12,975 (see Note 8 of the basic financial statements). There was no new debt incurred in the fiscal year ended February 28, 2006.

**Economic Factors And Next Year's Budget And Rates**

The Village's budget for 2006-2007 fiscal year has taken inconsideration, the economic condition of the State of Michigan anticipating reduced state share revenues. This will require close tabs on expenditures for the upcoming year and adjustments will be made to mirror, when possible, the revenue base, with expenses.

**Contacting The Village's Management**

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office at 108 S. Main St., Onsted, Michigan 49265.

# PHILIP R. RUBLEY

- Certified Public Accountant -

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PHILIP R. RUBLEY, C.P.A.

MEMBERS OF  
AMERICAN INSTITUTE OF C.P.A.'s  
& THE MICHIGAN ASSOCIATION OF C.P.A.'s

June 26, 2006

Honorable Mayor and Members  
Of The Village Council  
Village of Onsted  
Onsted, MI 49265

## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Onsted, Michigan as of and for the year ended February 28, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Onsted, Michigan, management. Our responsibility is to express opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Onsted, Michigan, as of February 28, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

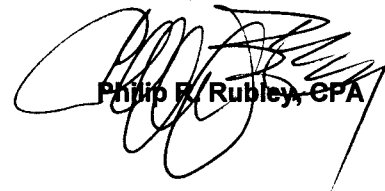
The management's discussion and analysis and budgetary comparison information on pages 1 through 6, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Onsted, Michigan basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

**Village of Onsted  
June 26, 2006**

The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**Respectfully Submitted,**



**Philip R. Rubley, CPA**

PRR/cab

**VILLAGE OF ONSTED**  
**Government-wide Statement of Net Assets**  
**February 28, 2006**

	<b><u>Governmental Activities</u></b>	<b><u>Business-Type Activities</u></b>	<b><u>Total</u></b>	<b><u>Component Unit</u></b>
<b><u>Assets</u></b>				
Cash and Equivalents	\$488,732	\$ 335,612	\$ 824,344	\$60,513
Receivables - Net	18,334	36,243	54,577	---
Prepaid Items and Other Assets	3,486	2,383	5,869	---
Internal Balances	32,652	(32,652)	---	---
Capital Assets Not Being Depreciated	32,500	51,655	84,155	5,000
Capital Assets Being Depreciated - Net	<u>266,236</u>	<u>883,144</u>	<u>1,149,380</u>	<u>27,956</u>
<b>Total Assets</b>	<u>841,940</u>	<u>1,276,385</u>	<u>2,118,325</u>	<u>93,469</u>
<b><u>Liabilities</u></b>				
Accounts Payable and Accrued Expenses	18,520	1,552	20,072	---
Long-Term Liabilities: Due Within One Year	---	13,778	13,778	---
Due In More Than One Year	<u>---</u>	<u>322,521</u>	<u>322,521</u>	<u>---</u>
<b>Total Liabilities</b>	<u>18,520</u>	<u>337,851</u>	<u>356,371</u>	<u>---</u>
<b><u>Net Assets</u></b>				
Invested In Capital Assets, Net of Related Debt	298,736	598,500	897,236	32,956
Reserved	187,500	---	187,500	---
Unrestricted	<u>337,184</u>	<u>340,034</u>	<u>677,218</u>	<u>60,513</u>
<b>Total Net Assets</b>	<u>\$823,420</u>	<u>\$ 938,534</u>	<u>\$1,761,954</u>	<u>\$93,469</u>

**VILLAGE OF ONSTED**  
**Government-wide Statement of Activities**  
**For The Year Ended February 28, 2006**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants And Contributions</u>	<u>Capital Grants And Contributions</u>	<u>Net (Expenses) Revenues</u>
<b><u>Primary Government</u></b>					
<b><u>Governmental Activities:</u></b>					
General Government	\$116,986	\$ 18,271	\$ ---	\$ ---	\$ (98,715)
Public Safety	19,313	---	---	---	(19,313)
Public Works	177,241	---	63,662	1,264	(113,579)
Community and Economic Development	355	---	---	---	(355)
Recreation and Culture	11,209	---	---	---	(9,945)
<b>Total Governmental Activities</b>	<u>325,104</u>	<u>18,271</u>	<u>63,662</u>	<u>1,264</u>	<u>(241,907)</u>
<b><u>Business-Type Activities:</u></b>					
Utilities	299,870	275,861	---	---	(24,009)
Interest on Debt	21,461	---	---	---	(21,461)
<b>Total Business-Type Activities</b>	<u>321,331</u>	<u>275,861</u>	<u>---</u>	<u>---</u>	<u>(45,470)</u>
<b>Total Primary Government</b>	<u>\$646,435</u>	<u>\$294,132</u>	<u>\$63,662</u>	<u>\$1,264</u>	<u>\$ (287,377)</u>
<b><u>Component Unit –</u></b>					
<b><u>Medical Unit:</u></b>	\$ 11,606	\$ 18,400	\$ ---	\$ ---	\$ 6,794
<b>Total Component Unit</b>	<u>\$ 11,606</u>	<u>\$ 18,400</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 6,794</u>

**VILLAGE OF ONSTED**  
**Government-wide Statement Of Activities (Concluded)**  
**For The Year Ended February 28, 2006**

	<u>Primary Government</u>			
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Component Unit</u>
<b><u>Changes In Net Assets</u></b>				
Net (Expense) Revenue	\$ (241,907)	\$ (45,470)	\$ (287,377)	\$ 6,794
General Revenues:				
Property Taxes	183,419	---	183,419	---
Grants and Contributions				
Not Restricted To				
Specific Programs	71,555	---	71,555	---
Unrestricted Investment				
Earnings and Rentals	<u>12,414</u>	<u>13,433</u>	<u>25,847</u>	<u>2,059</u>
<b>Total General Revenues, Contributions and Transfers</b>	<u>267,388</u>	<u>13,433</u>	<u>280,821</u>	<u>2,059</u>
<b>Change In Net Assets</b>	25,481	(32,037)	(6,556)	8,853
<b>Net Assets, Beginning of Year</b>	<u>797,939</u>	<u>970,571</u>	<u>1,768,510</u>	<u>84,616</u>
<b>Net Assets, End of Year</b>	<u>\$ 823,420</u>	<u>\$938,534</u>	<u>\$1,761,954</u>	<u>\$93,469</u>

**VILLAGE OF ONSTED**  
**Governmental Funds**  
**Balance Sheet**  
**February 28, 2006**

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	<b><u>General Fund</u></b>	<b><u>Major Street Fund</u></b>	<b><u>Local Street Fund</u></b>
<b><u>ASSETS</u></b>			
Cash and Cash Equivalents	\$187,300	\$250,883	\$43,992
Prepaid Expenses	2,848	584	49
Receivables - Net	14,875	---	---
Due From Other Funds	<u>33,592</u>	<u>1,123</u>	<u>4,294</u>
<b>Total Assets</b>	<b><u>\$238,615</u></b>	<b><u>\$252,590</u></b>	<b><u>\$48,335</u></b>
<b><u>LIABILITIES</u></b>			
Accounts Payable/Accrued Liabilities	\$ 3,896	\$ 14,624	\$ ---
Due to Other Funds	5,417	---	---
Deferred Revenue	<u>645</u>	<u>---</u>	<u>---</u>
<b>Total Liabilities</b>	<b><u>9,958</u></b>	<b><u>14,624</u></b>	<b><u>---</u></b>
<b><u>FUND BALANCES</u></b>			
Unreserved	<u>228,657</u>	<u>237,966</u>	<u>48,335</u>
<b>Total Fund Balances</b>	<b><u>228,657</u></b>	<b><u>237,966</u></b>	<b><u>48,335</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$238,615</u></b>	<b><u>\$252,590</u></b>	<b><u>\$48,335</u></b>

The notes to financial statements are an integral part of this statement.



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**Other  
Non-Major  
Governmental  
Funds**

\$6,557

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---

\$6,557

\$ ---

935

---

935

5,622

5,622

\$6,557

**Total  
Governmental  
Funds**

\$488,732

3,481

14,875

39,009

\$546,097

\$ 18,520

6,352

645

25,517

520,580

520,580

\$546,097

**VILLAGE OF ONSTED**  
**Reconciliation of Fund Balances On The Balance Sheet For Governmental Funds**  
**To Net Assets Of Governmental Activities On The Statement of Net Assets**  
**February 28, 2006**

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<b>Fund Balances – Total Governmental Funds</b>	\$ 520,580
-------------------------------------------------	------------

Amounts reported for governmental activities in the statement  
of net assets are different because:

Capital assets used in governmental activities are not  
financial resources and therefore are not reported in  
the funds.

<b>Add:</b> Capital Assets	910,479
----------------------------	---------

<b>Deduct:</b> Accumulated Depreciation	(611,743)
-----------------------------------------	-----------

Deferred Revenue - Taxes	645
Accounts Receivable	<u>3,459</u>

<b>Net Assets of Governmental Activities</b>	<u><u>\$ 823,420</u></u>
----------------------------------------------	--------------------------

**VILLAGE OF ONSTED**  
**Governmental Funds**  
**Statement of Revenue, Expenditures, and Changes In Fund Balances**  
**For The Year Ended February 28, 2006**

	<b>General Fund</b>	<b>Major Street Fund</b>	<b>Local Street Fund</b>
<b><u>REVENUES</u></b>			
Taxes	\$182,774	\$ ---	\$ ---
Intergovernmental	71,555	50,336	14,367
Charges for Services	13,773	---	---
Interest and Rentals	6,040	1,552	319
Contributions	---	---	---
Other	4,492	6	---
<b>Total Revenue</b>	<u>278,634</u>	<u>51,894</u>	<u>14,686</u>
<b><u>EXPENDITURES</u></b>			
Current:			
General Government	114,611	---	---
Public Safety	19,313	---	---
Public Works	63,267	60,078	36,698
Community Economic Development	355	---	---
Recreation and Culture	9,569	---	---
Capital Outlay	9,391	14,534	---
<b>Total Expenditures</b>	<u>216,506</u>	<u>74,612</u>	<u>36,698</u>
<b>Excess of Revenue Over (Under) Expenditures</b>	62,128	(22,718)	(20,012)
<b>Other Financing Sources (Uses)</b>			
Transfers In	---	---	12,584
Transfers (Out)	---	(12,584)	---
<b>Total Other Financing Sources (Uses)</b>	<u>---</u>	<u>(12,584)</u>	<u>12,584</u>
<b>Net Change In Fund Balances</b>	62,128	(35,302)	(9,428)
<b>Fund Balances – Beginning of Year</b>	<u>166,529</u>	<u>273,268</u>	<u>57,763</u>
<b>Fund Balances – End of Year</b>	<u>\$228,657</u>	<u>\$237,966</u>	<u>\$ 48,335</u>

The notes to financial statements are an integral part of this statement.

**Other  
Non-Major  
Governmental  
Funds**

**Total  
Governmental  
Funds**

\$ ---

\$182,774

---

136,258

---

13,773

3

7,914

1,264

1,264

---

4,498

1,267

346,481

---

114,611

---

19,313

---

160,043

---

355

---

9,569

---

23,925

---

327,816

1,267

18,665

---

12,584

---

(12,584)

---

---

1,267

18,665

4,355

501,915

\$5,622

\$520,580

**VILLAGE OF ONSTED**  
**Reconciliation Of The Statement Of Revenues, Expenditures,**  
**And Changes In Fund Balances Of Governmental Statement Of Activities**  
**February 28, 2006**

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**Net Change In Fund Balances – Total Governmental Funds**

\$ 18,665

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

**Add:** Capital Outlay

22,725

**Deduct:** Depreciation Expense

(20,013)

Revenue - deferred on fund statements part of revenue on government-wide

645

Accounts receivable adjustments for government-wide

3,459

**Change In Net Assets Of Governmental Activities**

\$ 25,481

**VILLAGE OF ONSTED**  
**Statement of Net Assets**  
**Proprietary Funds**  
**February 28, 2006**

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b><u>Water Fund</u></b>	<b><u>Sewer Fund</u></b>	<b><u>Total Utilities Fund</u></b>
<b>Assets</b>			
Current Assets:			
Cash and Cash Equivalents	\$110,734	\$224,878	\$ 335,612
Due from Other Funds	17,437	17	17,454
Accounts Receivable	12,839	21,789	34,628
Interest Receivable	---	1,615	1,615
Prepaid Expenses	827	1,556	2,383
Non-Current Assets:			
Property and Equipment - Net	<u>267,228</u>	<u>667,571</u>	<u>934,799</u>
<b>Total Noncurrent Assets</b>	<u>267,228</u>	<u>667,571</u>	<u>934,799</u>
<b>Total Assets</b>	<u>\$409,065</u>	<u>\$917,426</u>	<u>\$1,326,491</u>
<b>Liabilities</b>			
Current Liabilities:			
Due to Other Funds	\$ 27,953	\$ 22,153	\$ 50,106
Accounts Payable and Accrued Liabilities	199	1,353	1,552
Notes Payable, Current Portion	<u>---</u>	<u>13,778</u>	<u>13,778</u>
<b>Total Current Liabilities</b>	<u>28,152</u>	<u>37,284</u>	<u>65,436</u>
Non-Current Liabilities:			
Notes Payable	<u>---</u>	<u>322,521</u>	<u>322,521</u>
<b>Total Noncurrent Liabilities</b>	<u>---</u>	<u>322,521</u>	<u>322,521</u>
<b>Total Liabilities</b>	<u>28,152</u>	<u>359,805</u>	<u>387,957</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	267,228	331,272	598,500
Unrestricted	<u>113,685</u>	<u>226,349</u>	<u>340,034</u>
<b>Total Net Assets</b>	<u>\$380,913</u>	<u>\$557,621</u>	<u>\$ 938,534</u>

The accompanying notes are an integral part of this financial statement.

**VILLAGE OF ONSTED**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For The Year Ended February 28, 2006**

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b><u>Water Fund</u></b>	<b><u>Sewer Fund</u></b>	<b><u>Total Utilities Fund</u></b>
<b>Operating Revenues</b>			
Charges for Services	<u>\$ 88,342</u>	<u>\$172,182</u>	<u>\$260,524</u>
<b>Liabilities</b>			
Salaries and Wages	24,703	35,408	60,111
Fringe Benefits	13,000	11,777	24,777
Office Expenses	342	172	514
Contractual Services/Supplies, Etc.	8,304	77,302	85,606
Utilities	10,233	16,409	26,642
Depreciation	14,480	72,161	86,641
Other Expenses	<u>6,799</u>	<u>8,780</u>	<u>15,579</u>
<b>Total Operating Expenses</b>	<u>77,861</u>	<u>222,009</u>	<u>299,870</u>
<b>Operating Income (Loss)</b>	<u>10,481</u>	<u>(49,827)</u>	<u>(39,346)</u>
<b>Non-Operating Revenues (Expenses)</b>			
Investment Income	3,531	9,902	13,433
Interest Expense	---	(21,461)	(21,461)
Other	<u>15,247</u>	<u>90</u>	<u>15,337</u>
<b>Total Non-Operating Revenues (Expenses)</b>	<u>18,778</u>	<u>(11,469)</u>	<u>7,309</u>
<b>Income</b>	29,259	(61,296)	(32,037)
<b>Net Assets, Beginning of Year</b>	<u>351,654</u>	<u>618,917</u>	<u>970,571</u>
<b>Net Assets, End of Year</b>	<u>\$380,913</u>	<u>\$557,621</u>	<u>\$938,534</u>

**VILLAGE OF ONSTED**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For The Year Ended February 28, 2006**

	<b>Business-Type Activities</b>		
	<b><u>Enterprise Funds</u></b>		
	<b><u>Water Fund</u></b>	<b><u>Sewer Fund</u></b>	<b><u>Total Utilities Fund</u></b>
<b>Cash Flows From Operating Activities</b>			
Cash Received from Customers	\$ 88,310	\$ 165,060	\$ 253,370
Cash Received Miscellaneous	15,247	90	15,337
Cash Payment to Suppliers For Goods and Services/Employees	<u>(61,847)</u>	<u>(152,954)</u>	<u>(214,801)</u>
<b>Net Cash Provided (Used)</b>	<u>41,710</u>	<u>12,196</u>	<u>53,906</u>
<b>Cash Flows From Capital and Related Financing Activities</b>			
Purchase of Capital Assets	(28,550)	(13,819)	(42,369)
Notes Principal Payments	---	(12,975)	(12,975)
Notes Interest Payments	---	(21,461)	(21,461)
Fund Transfers	<u>---</u>	<u>4,965</u>	<u>4,965</u>
<b>Net Cash (Used) by Capital and Related Financing Activities)</b>	<u>(28,550)</u>	<u>(43,290)</u>	<u>(71,840)</u>
<b>Cash Flows From Investing Activities</b>			
Investment Income	<u>3,531</u>	<u>8,646</u>	<u>12,177</u>
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>3,531</u>	<u>8,646</u>	<u>12,177</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	16,691	(22,448)	(5,757)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>94,043</u>	<u>247,326</u>	<u>341,369</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$110,734</u>	<u>\$ 224,878</u>	<u>\$ 335,612</u>



**VILLAGE OF ONSTED**  
**Statement of Cash Flows (Concluded)**  
**Proprietary Funds**  
**For The Year Ended February 28, 2006**

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b><u>Water Fund</u></b>	<b><u>Sewer Fund</u></b>	<b><u>Total Utilities Fund</u></b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</b>			
Operating Income (Loss)	\$ 29,259	\$ (61,296)	\$ (32,037)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	14,480	72,161	86,641
Changes in Assets and Liabilities:			
Accounts Receivable	(3,143)	(7,122)	(10,265)
Accounts Payable, Accrued Liabilities, Bonds Current Portion	1,866	(25,033)	(23,167)
Other Assets	<u>2,779</u>	<u>25,636</u>	<u>28,415</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>45,241</u>	<u>4,346</u>	<u>49,587</u>
<b>Cash Flows from Capital Activities:</b>			
Acquisition of Capital Assets	<u>(28,550)</u>	<u>(13,819)</u>	<u>(42,369)</u>
<b>Net Cash (Used) from Capital Activities</b>	<u>(28,550)</u>	<u>(13,819)</u>	<u>(42,369)</u>
<b>Cash Flows From Financing Activities:</b>			
Principal Paid on Notes	<u>---</u>	<u>(12,975)</u>	<u>(12,975)</u>
<b>Net Cash (Used) from Financing Activities</b>	<u>---</u>	<u>(12,975)</u>	<u>(12,975)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	16,691	(22,448)	(5,757)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>94,043</u>	<u>247,326</u>	<u>341,369</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$110,734</u>	<u>\$224,878</u>	<u>\$335,612</u>

The accompanying notes are an integral part of this financial statement.

VILLAGE OF ONSTED  
Fiduciary Funds – State of Net Assets  
February 28, 2006

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	<b>Trust and Agency Fund</b>
<b><u>Assets</u></b>	
Cash and Cash Equivalents	\$ 5
<b>Total Assets</b>	<b><u>\$ 5</u></b>
 <b><u>Liabilities</u></b>	
Due to Other Funds	\$ 5
<b>Total Liabilities</b>	<b><u>\$ 5</u></b>

**VILLAGE OF ONSTED**  
**Notes to Financial Statements**  
**February 28, 2006**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Village of Onsted, Michigan conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units.

The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below:

**A. Reporting Entity**

Village of Onsted, Michigan is governed by an elected council. The accompanying financial statements present the government for which government is considered to be financially accountable.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

**VILLAGE OF ONSTED**  
**Notes to Financial Statements**  
**February 28, 2006**

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Property taxes, franchise taxes, intergovernmental revenue licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

**The General Fund** is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**The Major Street Fund** is a Special Revenue Fund that receives state and local funding for the purpose of construction and maintenance of Village streets designated as major streets under State of Michigan Act 51 of Public Acts of 1951.

**The Local Street Fund** is a Special Revenue Fund that receives state and local funding for the purpose of construction and maintenance of Village streets designated as local streets under State of Michigan Act 51 of Public Acts of 1951.

The government reports the following major proprietary funds:

The Utilities Fund, Water and Sewer Funds accounts for acquisition, operation and maintenance of the Village's waste water and water system.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-side and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities and enterprise funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Utilities Funds are charges to customers for sales and services. The Utilities Funds are also recognize as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**VILLAGE OF ONSTED**  
**Notes to Financial Statements**  
**February 28, 2006**

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**D. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**E. Assets, Liabilities, and Net Assets or Equity**

1. **Bank Deposits and Investment** – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loans associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

2. **Receivables and Payables** – In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

3. **Prepaid Items** – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements using the consumption method.

4. **Inventories** – All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

5. **Capital Assets** – Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., road, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,500 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

**VILLAGE OF ONSTED**  
**Notes to Financial Statements**  
**February 28, 2006**

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Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land Improvements	20 - 50
Building	10 - 50
Machinery, Equipment, And Furnishings	5 - 35
Utility Systems	50 - 100
Infrastructure	15 - 100
Vehicles	5 - 15

6. **Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

- A. **Budgetary Information** - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

On or before the end of January of each year, the Village Council presents the proposed budget for review and holds public hearings and a final budget is adopted.

The appropriated budget is prepared by fund, function and activity. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is with the Village Council.

**VILLAGE OF ONSTED**  
**Notes to Financial Statements**  
**February 28, 2006**

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**B. Excess of Expenditures Over Appropriations In Budgeted Funds** - P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended February 28, 2006, the government incurred expenditures in excess of amounts appropriated at the legal level of budgetary control as follows:

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
General Government:			
Treasurer	\$ 5,000	\$ 5,139	\$ 139
Capital Outlay	---	9,391	9,391
Clerk	8,950	9,411	461
Public Safety:			
Crossing Guards	6,000	6,160	160
Inspections	---	1,153	1,153
Recreation and Culture:			
Parks	---	6,114	6,114
Public Works:			
Street Lighting	13,000	13,161	161
Major Street Fund:			
Transfers to Other Funds	4,000	12,584	8,584

**VILLAGE OF ONSTED**  
**Notes to Financial Statements**  
**February 28, 2006**

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**NOTE 3 – DEPOSITS AND INVESTMENTS**

The government unit's deposits and investment policy are in accordance with statutory authority.

Investments made by the Village are summarized below. The investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

- Category 1:** Insured or registered, or securities held by the Village or its agent in the Village's name.
- Category 2:** Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Village's name.
- Category 3:** Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Village's name.

	<b><u>Category</u></b> <b><u>1</u></b>	<b><u>2</u></b>	<b><u>3</u></b>	<b><u>Carrying</u></b> <b><u>Value</u></b>	<b><u>Market</u></b> <b><u>Value</u></b>
Cash and Cash Equivalents	\$100,000	\$724,344	\$ ---	\$824,344	\$824,344
	<u>\$100,000</u>	<u>\$724,344</u>	<u>\$ ---</u>	<u>\$824,344</u>	<u>\$824,344</u>

**Balance Sheet Cash And Cash Investments**

The Governmental Accounting Standards Board (GASB) Statement No. 3 risk disclosures for the Village's deposits are as follows:

<b><u>Deposits</u></b>	<b><u>Carrying</u></b> <b><u>Amount</u></b>
Insured (FDIC) (FSLIC)	\$100,000
Uninsured:	
Uncollateralized	<u>724,344</u>
<b>Total</b>	<b><u>\$824,344</u></b>

Component unit cash is all insured by FDIC for \$60,513.



**VILLAGE OF ONSTED**  
**Notes to Financial Statements**  
**February 28, 2006**

**NOTE 4 – CAPITAL ASSETS**

Capital assets activity for the year ended February 28, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b><u>Governmental Activities</u></b>				
Capital Assets, Not Being Depreciated:				
Other	\$ 32,500	\$ ---	\$ ---	\$ 32,500
Capital Assets, Being Depreciated:				
Buildings	107,000	4,310	---	111,310
Equipment	31,800	3,881	---	35,681
Infrastructure	565,954	14,534	---	580,488
Vehicles	150,500	---	---	150,500
<b>Total Capital Assets Being Depreciated</b>	<u>855,254</u>	<u>22,725</u>	<u>---</u>	<u>877,979</u>
Less: Accumulated Depreciation For:				
Buildings	(54,580)	(2,556)	---	(57,136)
Equipment	(6,920)	(2,079)	---	(8,999)
Infrastructure	(428,530)	(7,678)	---	(436,208)
Vehicles	(101,700)	(7,700)	---	(109,400)
<b>Total Accumulated Depreciation</b>	<u>(591,730)</u>	<u>(20,013)</u>	<u>---</u>	<u>(611,743)</u>
<b>Total Capital Assets, Being Depreciated, Net</b>	<u>263,524</u>	<u>2,712</u>	<u>---</u>	<u>266,236</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$ 296,024</u>	<u>\$ 2,712</u>	<u>\$ ---</u>	<u>\$ 298,736</u>
 <b><u>Component Unit - Medical Clinic</u></b>				
Capital Assets, Not Being Depreciated:				
Other	\$ 5,000	\$ ---	\$ ---	\$ 5,000
Capital Assets, Being Depreciated:				
Buildings	144,912	---	---	144,912
<b>Total Capital Assets Being Depreciated</b>	<u>144,912</u>	<u>---</u>	<u>---</u>	<u>144,912</u>
Less: Accumulated Depreciation For:				
Buildings	(113,601)	(3,355)	---	(116,956)
<b>Total Accumulated Depreciation</b>	<u>31,311</u>	<u>(3,355)</u>	<u>---</u>	<u>27,956</u>
<b>Total Capital Assets, Being Depreciated, Net</b>	<u>31,311</u>	<u>(3,355)</u>	<u>---</u>	<u>27,956</u>
<b>Component Activities Capital Assets, Net</b>	<u>\$ 36,311</u>	<u>\$ (3,355)</u>	<u>\$ ---</u>	<u>\$ 32,956</u>

**VILLAGE OF ONSTED**  
**Notes to Financial Statements**  
**February 28, 2006**

**NOTE 4 – CAPITAL ASSETS (CONTINUED)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b><u>Business-Type Activities</u></b>				
Capital Assets, Not Being Depreciated:				
Other	\$ 51,655	\$ ---	\$ ---	\$ 51,655
Capital Assets, Being Depreciated:				
Plant and Equipment	2,830,880	42,369	---	2,873,249
<b>Total Capital Assets Being Depreciated</b>	<u>2,830,880</u>	<u>42,369</u>	<u>---</u>	<u>2,873,249</u>
Less Accumulated Depreciation For:				
Plant and Equipment	(1,903,464)	(86,641)	---	(1,990,105)
<b>Total Accumulated Depreciation</b>	<u>(1,903,464)</u>	<u>(86,641)</u>	<u>---</u>	<u>(1,990,105)</u>
<b>Total Capital Assets, Being Depreciated, Net</b>	<u>927,416</u>	<u>(44,272)</u>	<u>---</u>	<u>883,144</u>
<b>Business Type Activities Capital Assets, Net</b>	<u>\$ 979,071</u>	<u>\$ (44,272)</u>	<u>\$ ---</u>	<u>\$ 934,799</u>

Depreciation expense was charged to functions/programs of the Village as follows:

**Governmental Activities:**

General Government	\$ 1,175
Public Works	17,198
Recreation and Culture	<u>1,640</u>

**Total Depreciation Expense  
Governmental Activities**

\$20,013

**Component Unit – Medical Clinic**

\$ 3,355

**Business-Type Activities:**

Utilities - Water and Sewer	<u>\$86,641</u>
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**Total Depreciation Expense  
Business-Type Activities**

\$86,641

**VILLAGE OF ONSTED**  
**Notes to Financial Statements**  
**February 28, 2006**

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**NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES**

At February 28, 2006, the following were interfund receivables and payables in the fund statement.

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$33,592	\$ 5,417
Park Improvement Fund	---	935
Local Street Fund	4,294	---
Major Street Fund	1,123	---
Water Fund	17,437	27,953
Sewer Fund	17	22,153
Trust Fund	---	5
	<u>\$56,463</u>	<u>\$56,463</u>

**NOTE 6 – TRANSFERS**

Transfers are used to (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted, to or allowed for debt services from the funds collecting the receipts to the debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs, accounted for in other funds in accordance with budgetary authorizations.

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major Street Fund	\$ ---	\$12,584
Local Street Fund	<u>12,584</u>	<u>---</u>
	<u>\$12,584</u>	<u>\$12,584</u>

**NOTE 7 – PROPERTY TAXES:**

The Village collects its own property taxes within its jurisdiction. Village property tax revenues are recognized as revenues in the fiscal year levied to the extent that they result in current receivables.

**VILLAGE OF ONSTED**  
**Notes to Financial Statements**  
**February 28, 2006**

**NOTE 8 – LONG TERM DEBT**

Long-term debt consists of the following:

	<u>Balance March 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance February 28, 2006</u>
Notes Payable - Onsted State Bank - Sewer Extension	\$101,002	\$ ---	\$ 4,941	\$ 96,061
Notes Payable - Onsted State Bank - Sewer Extension	<u>248,272</u>	<u>---</u>	<u>8,034</u>	<u>240,238</u>
<b>Total</b>	<u><b>\$349,274</b></u>	<u><b>\$ ---</b></u>	<u><b>\$12,975</b></u>	<u><b>\$336,299</b></u>

**Village of Onsted – Sewer Extension Note**

Title of note: Village of Onsted Sewer Extension

Purposes: Sewer Extension

Date of note: July 9, 2001

Interest Rate: 6.5%

Payments: \$11,506 including interest annually

<u>Payment Date</u>	<u>Total Payment</u>	<u>Principle</u>	<u>Interest</u>	<u>Balance</u>
				\$ 96,061
October 2, 2006	\$ 11,506	\$ 5,262	\$ 6,244	90,799
October 2, 2007	11,506	5,604	5,902	85,195
October 2, 2008	11,506	5,968	5,538	79,227
October 2, 2009	11,506	6,356	5,150	72,871
October 2, 2010	11,506	6,769	4,737	66,102
October 2, 2011	11,506	7,209	4,297	58,893
October 2, 2012	11,506	7,678	3,828	51,215
October 2, 2013	11,506	8,177	3,329	43,038
October 2, 2014	11,506	8,708	2,798	34,330
October 2, 2015	11,506	9,274	2,232	25,056
October 2, 2016	11,506	9,877	1,629	15,179
October 2, 2017	11,506	10,519	987	4,660
October 2, 2018	<u>4,963</u>	<u>4,660</u>	<u>303</u>	<u>---</u>
<b>Total</b>	<u><b>\$143,035</b></u>	<u><b>\$96,061</b></u>	<u><b>\$46,974</b></u>	

Balance outstanding at February 28, 2006 \$96,061

**VILLAGE OF ONSTED**  
**Notes to Financial Statements**  
**February 28, 2006**

**Village of Onsted – Sewer Extension Note**

Title of note: Village of Onsted Sewer Extension

Purposes: Sewer Extension

Date of note: March 12, 2002

Interest Rate: 6.0%

Payments: \$22,930 including interest annually

<u>Payment Date</u>	<u>Total Payment</u>	<u>Principle</u>	<u>Interest</u>	<u>Balance</u>
				\$240,238
March 12, 2006	\$ 22,930	\$ 8,516	\$ 14,414	231,722
March 12, 2007	22,930	9,026	13,904	222,696
March 12, 2008	22,930	9,568	13,362	213,128
March 12, 2009	22,930	10,142	12,788	202,986
March 12, 2010	22,930	10,750	12,180	192,236
March 12, 2011	22,930	11,395	11,535	180,841
March 12, 2012	22,930	12,079	10,851	168,762
March 12, 2013	22,930	12,804	10,126	155,958
March 12, 2014	22,930	13,572	9,358	142,386
March 12, 2015	22,930	14,386	8,544	128,000
March 12, 2016	22,930	15,249	7,681	112,751
March 12, 2017	22,930	16,164	6,766	96,587
March 12, 2018	22,930	17,134	5,796	79,453
March 12, 2019	22,930	18,162	4,768	61,291
March 12, 2020	22,930	19,252	3,678	42,039
March 12, 2021	22,930	20,407	2,523	21,632
March 12, 2022	22,930	21,632	1,298	---
<b>Total</b>	<b><u>\$389,810</u></b>	<b><u>\$240,238</u></b>	<b><u>\$149,572</u></b>	

Balance outstanding at February 28, 2006 \$240,238

**Maturities of Long-Term Debt**

Maturities for the next five years of long-term debt are as follows:

<u>Years</u>	<u>Amounts</u>
2007	\$ 13,778
2008	14,630
2009	15,536
2010	16,498
2011	18,604
There After	<u>257,253</u>
	<u>\$336,299</u>

**VILLAGE OF ONSTED**  
**Notes to Financial Statements**  
**February 28, 2006**

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**NOTE 9 – PENSION PLAN**

The Village of Onsted contributes to SEP for eligible individuals.

**NOTE 10 – OTHER INFORMATION**

**Risk Management**

The government is exposed to various risks of loss related to torts; theft of damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended February 28, 2006, the government carried insurance through various commercial carriers, to cover all risks of losses. The government has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

**VILLAGE OF ONSTED**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For The Year Ended February 28, 2006**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<b><u>Beginning of Year Fund Balance</u></b>				
<b>Resources (Inflows)</b>	\$139,173	\$139,173	\$166,529	\$ 27,356
Taxes and Assessments	200,000	200,000	182,774	(17,226)
Intergovernmental	70,000	70,000	71,555	1,555
Charges for Services	7,500	7,500	13,773	6,273
Interest and Rentals	9,500	9,500	6,040	(3,460)
Other	15,800	15,800	4,492	(11,308)
 <b>Amounts Available for Appropriation</b>	 <u>441,973</u>	 <u>441,973</u>	 <u>445,163</u>	 <u>3,190</u>
 <b><u>Charges to Appropriations (Outflows)</u></b>				
<b>General Government</b>				
Village Office	50,000	50,000	38,177	11,823
Wages and Fringe - Unallocated	22,500	22,500	11,209	11,291
Treasurer	5,000	5,000	5,139	(139)
Clerk	8,950	8,950	9,411	(461)
Elections	2,000	2,000	1,067	933
Professional Services	12,400	12,400	8,629	3,771
Buildings and Grounds	25,150	25,150	13,765	11,385
Insurance	25,000	25,000	20,465	4,535
Other Functions	13,350	13,350	6,749	6,601
Capital Outlay	---	---	9,391	(9,391)
 <b>Public Safety</b>				
Police	12,000	12,000	12,000	---
Crossing Guards	6,000	6,000	6,160	(160)
Inspections	---	---	1,153	(1,153)
 <b>Community Promotion and Economic Development</b>	 1,000	 1,000	 355	 645
 <b>Recreation and Culture</b>				
Parks and Recreation	---	---	6,114	(6,114)
Community Promotion	15,000	15,000	3,455	11,545
Library	3,500	3,500	---	3,500
 <b>Public Works</b>				
Street Lighting	13,000	13,000	13,161	(161)
Sanitation	30,000	30,000	24,433	5,567
Operations & Maintenance	157,901	157,901	19,462	138,439
Other	12,000	12,000	6,211	5,789
 <b>Miscellaneous</b>	 <u>27,222</u>	 <u>27,222</u>	 <u>---</u>	 <u>27,222</u>
 <b>Total Charges to Appropriations</b>	 <u>441,973</u>	 <u>441,973</u>	 <u>216,506</u>	 <u>225,467</u>
 <b>Ending of Year Fund Balance</b>	 <u>\$ ---</u>	 <u>\$ ---</u>	 <u>\$228,657</u>	 <u>\$228,657</u>

**VILLAGE OF ONSTED**  
**Budgetary Comparison Schedule**  
**Major Street Fund (Major Special Revenue Fund)**  
**For The Year Ended February 28, 2006**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<b><u>Beginning of Year Fund Balance</u></b>				
<b>Resources (Inflows)</b>	\$ 78,326	\$ 78,326	\$273,268	\$194,942
Intergovernmental	50,600	50,600	50,336	(264)
Interest Income	900	900	1,552	652
Miscellaneous	---	---	6	6
<b>Amounts Available for Appropriation</b>	<u>129,826</u>	<u>129,826</u>	<u>325,162</u>	<u>195,336</u>
<b><u>Charges to Appropriations (Outflows)</u></b>				
Public Works	125,826	125,826	74,612	51,214
Transfers to Other Funds	<u>4,000</u>	<u>4,000</u>	<u>12,584</u>	<u>(8,584)</u>
<b>Total Charges to Appropriations</b>	<u>129,826</u>	<u>129,826</u>	<u>87,196</u>	<u>42,630</u>
<b>Ending of Year Fund Balance (Deficit)</b>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$237,966</u>	<u>\$237,966</u>



**VILLAGE OF ONSTED**  
**Budgetary Comparison Schedule**  
**Local Street Fund (Major Special Revenue Fund)**  
**For The Year Ended February 28, 2006**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<b><u>Beginning of Year Fund Balance</u></b>				
<b>Resources (Inflows)</b>	\$52,936	\$52,936	\$57,763	\$ 4,827
Intergovernmental	14,250	14,250	14,367	117
Interest Income	250	250	319	69
Transfer from Major Street Fund	<u>4,000</u>	<u>4,000</u>	<u>12,584</u>	<u>8,584</u>
<b>Amounts Available for         Appropriation</b>	<u>71,436</u>	<u>71,436</u>	<u>85,033</u>	<u>13,597</u>
<b><u>Charges to Appropriations (Outflows)</u></b>				
Public Works	<u>71,436</u>	<u>71,436</u>	<u>36,698</u>	<u>34,738</u>
<b>Total Charges to Appropriations</b>	<u>71,436</u>	<u>71,436</u>	<u>36,698</u>	<u>34,738</u>
<b>Ending of Year Fund Balance</b>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$48,335</u>	<u>\$48,335</u>

VILLAGE OF ONSTED  
Combining Balance Sheet  
Non-Major Governmental Funds  
February 28, 2006

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**Special Revenue Funds**

	<b>Park Improvement Fund</b>
<b><u>Assets</u></b>	
Cash	<u>\$6,557</u>
<b>Total Assets</b>	<u><u>\$6,557</u></u>
<b><u>Liabilities and Fund Balances</u></b>	
<b><u>Liabilities</u></b>	
Due to Other Funds	<u>\$ 935</u>
<b>Total Liabilities</b>	<u>935</u>
<b><u>Fund Balance</u></b>	<u>5,622</u>
<b>Total Liabilities And Fund Balances</b>	<u><u>\$6,557</u></u>

**VILLAGE OF ONSTED**  
**Combining Statement of Revenues, Expenditures and Changes In Fund Balance**  
**Non-Major Governmental Funds**  
**For The Year Ended February 28, 2006**

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**Special Revenue Funds**

	<b>Park Improvement Fund</b>
<b><u>Revenues:</u></b>	
Contributions	\$1,264
Interest Income	<u>3</u>
<b>Total Revenue</b>	<u>1,267</u>
<b><u>Expenditures:</u></b>	
Recreation and Culture	<u>---</u>
<b>Total Expenditures</b>	<u>---</u>
<b><u>Excess of Revenues Over (Under) Expenditures</u></b>	<u>1,267</u>
<b><u>Beginning Fund Balance</u></b>	<u>4,355</u>
<b><u>Ending Fund Balance</u></b>	<u><u>\$5,622</u></u>

# PHILIP R. RUBLEY

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MEMBERS OF  
AMERICAN INSTITUTE OF C.P.A.'s  
& THE MICHIGAN ASSOCIATION OF C.P.A.'s

June 26, 2006

**Honorable Mayor and Members  
Of The Village Council  
Village of Onsted  
Onsted, Michigan 49265**

We have examined the combined financial statements of the Village of Onsted, Michigan and the combining, individual fund and account group financial statements of the Village as of and for the year ended February 28, 2006 and have issued our report thereon dated June 26, 2006. As a part of our examination, we made a study and evaluation of the Village's system of internal accounting control to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. Under these standards, the purposes of such an evaluation are to establish a basis for reliance on the system of internal accounting control in determining the nature, timing and extent of other auditing procedures that are necessary for expressing an opinion on the financial statement and to assist the auditor in planning and performing his examination of the financial statements.

The objective of internal accounting control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management either with respect to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of internal accounting control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate.

Our examination of the financial statements made in accordance with auditing standards generally accepted in the United States of America, including the study and evaluation of the Village's system of internal accounting control for the year ended February 28, 2006, that was made for the purpose set forth in the first paragraph of this report, would not necessarily disclose all weaknesses in the system because it was based on selective tests of accounting records and related data.

## **1. Chart of Accounts**

The account numbers need to be updated to conform to the State Uniform Chart of Accounts.

2. **Fixed Assets**

The Village needs to keep track of disposed items each year to properly maintain their fixed assets schedules established.

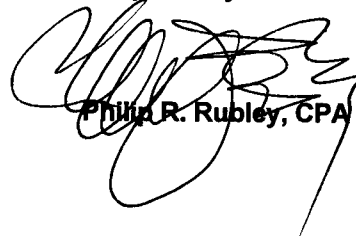
3. **General Ledger**

Each fund maintained by the Village must balance independently. The over all general ledger balances, but not the individual funds which it is made up of. Be sure that entries are balanced between each fund.

The above mentioned conditions were considered in determining the nature, timing, and extent of audit tests to be applied to our examination of the financial statements, and this report does not modify our report dated June 26, 2006, on such financial statements.

If we can be of any further assistance, please do not hesitate in contacting us.

Respectfully Submitted,



Philip R. Rubley, CPA

PRR/cab